

HOUSE BILL 2426

By Moon

AN ACT to amend Tennessee Code Annotated, Title 9,
Chapter 4, relative to public funds.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 9-4-103(1), is amended by deleting the subdivision and substituting instead the following:

(1) Bonds, notes, and treasury bills of the United States or other obligations guaranteed as to principal and interest by the United States or any of its agencies;

SECTION 2. Tennessee Code Annotated, Section 9-4-103(2), is amended by deleting the subdivision and substituting instead the following:

(2) Obligations guaranteed as to principal and interest by the federal home loan mortgage corporation, federal national mortgage association, student loan marketing association, and other United States government-sponsored corporations;

SECTION 3. Tennessee Code Annotated, Section 9-4-103(10), is amended by deleting the subdivision and substituting instead the following:

(10) State or municipal bonds from other states or from municipalities in other states; provided, that:

(A) The bond is AA-, Aa3, or a higher rating by a nationally recognized bond rating service;

(B) The bond is not a structured debt instrument; and

(C) If the bond is downgraded below the minimum rating, the state depository shall substitute other eligible collateral or otherwise meet the required collateral levels within two (2) working days;

SECTION 4. Tennessee Code Annotated, Section 9-4-103, is amended by deleting subdivision (5).

SECTION 5. Tennessee Code Annotated, Section 9-4-103, is amended by adding the following as a new, appropriately designated subdivision:

() Bonds of the small business administration;

SECTION 6. Tennessee Code Annotated, Section 9-4-103, is amended by designating the language as subsection (a) and adding the following as a new subsection (b):

(b) It is within the state treasurer's discretion to accept or decline certain forms of eligible collateral.

SECTION 7. Tennessee Code Annotated, Section 9-4-508(7), is amended by deleting the subdivision in its entirety and substituting instead the following:

(7) The board, upon six (6) affirmative votes, may:

(A) Promulgate reasonable and substantive procedural rules as are necessary to carry out the purpose and intent of this part, including, but not limited to, an increase or decrease in collateral pledge levels, except as provided in this part. Such rules must be adopted pursuant to the Uniform Administrative Procedures Act, compiled in title 4, chapter 5;

(B) Admit public depositories for participation in the collateral pool;

(C) Delegate the board's duties to the state treasurer as the board deems appropriate. In exercising such delegation, the state treasurer is authorized to exercise such powers as are vested in the board that are necessary to fulfill the delegated duties and responsibilities, and may assign any such duties and responsibilities to the state treasurer's staff as the state treasurer deems necessary and proper; and

(D) Revise the benchmark levels to be less stringent upon applicants;

SECTION 8. Tennessee Code Annotated, Section 9-4-508, is amended by adding the following language as a new, appropriately designated subdivision:

() In exigent circumstances, and notwithstanding any law to the contrary, including § 9-4-509 and the Uniform Administrative Procedures Act, the board may make temporary changes to the required collateral and collateral pledge levels contained in the board's rules, including, but not limited to, the qualitative and quantitative standards for determining collateral pledge levels and the admission criteria; provided, that the following conditions are met and the substance of the changes are not otherwise inconsistent with applicable law:

(A) The changes to the required collateral and collateral pledge levels must be approved by six (6) affirmative votes of the board and in a board meeting that complies with title 8, chapter 44, part 1;

(B) In addition to providing a public meeting notice and board agenda, the board shall also provide the following to members of the public and other interested parties:

- (i) The specific changes to be contemplated by the board;
- (ii) The reasons for the changes;
- (iii) The effective date and expiration date of the changes; and
- (iv) The opportunity for members of the public and other

interested parties to submit comments to the changes in advance of the meeting that must be addressed by the board during the board meeting and included in the minutes of the meeting;

(C) The board shall make a determination, to be included in the minutes of the meeting, that exigent circumstances exist to necessitate a change in the required collateral or collateral pledge levels; and

(D) The changes approved by the board must be made on a defined temporary basis. Once the changes expire, the required collateral and collateral pledge levels, including, but not limited to, the qualitative and quantitative standards for collateral pledge levels, and the admission criteria, must revert to the standards contained in the board's rules.

SECTION 9. This act takes effect upon becoming a law, the public welfare requiring it.